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THE OUTLOOK FOR THE ECONOMY

and

THE SHORT AND LONG TERM DEMAND

FOR FIBRE BOXES

Peter W. Hoguet
President
The Econometric Institute, Inc.

11/27/59

Submitted at

Annual Meeting

FIBRE BOX ASSOCIATION

October 9, 1959

**THE OUTLOOK FOR THE ECONOMY AND
THE SHORT AND LONG TERM DEMAND FOR FIBRE BOXES**

Report by Mr. Peter W. Hoguet, President, The Econometric Institute, Inc.
Submitted at the Annual Meeting of the Fibre Box Association
The Waldorf-Astoria, New York, New York, October 9, 1959

Mailed to Members of Fibre Box Association

Mailed to Members of National Paperboard Association

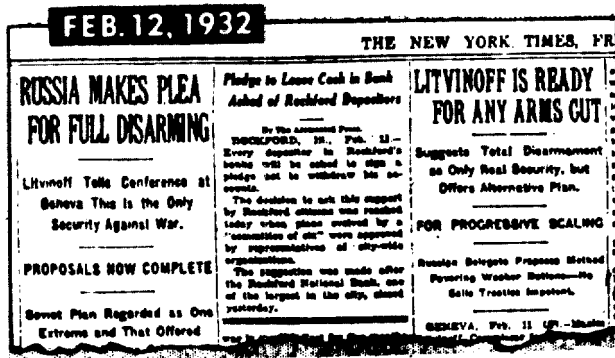
October 16, 1959

**I. U. S. ECONOMIC GROWTH WILL CONTINUE TO OUTPACE RUSSIAN --
IF INFLATION IS AVOIDED**

Nikita Khrushchev
Economic Club

The recent visit of the Russian Premier Nikita Khrushchev has been our most important recent event. Three weeks ago, he spoke here at the Waldorf-Astoria before a dinner of the New York Economic Club. He told a large audience of American business leaders that the Communist system of the Soviet Union is better than ours, and that the Soviet Union in a short while will surpass the United States in standards of living. Now, these economic claims are not only false but an insult to an average American's intelligence and anyone who knows the wide gap between Russian and American living standards. But they do outline for us in further detail some Soviet hopes and plans.





In 1932, Salvador de Madariaga, the Spanish delegate at the World Disarmament Conference gave a reply so apt that it might be used in rebuttal of today's proposal.

He asked if the Soviets did not remember the fable about the animals forum. After they had gathered, the lion looked at the eagle and said gravely, "we must abolish talons." The tiger looked at the elephant and said, "we must abolish tusks." The elephant looked back at the tiger and said, "we must abolish claws and jaws."

Thus each animal in turn proposed the abolition of the weapons he did not have, until at last the bear rose up and said in tones of sweet reasonableness:

"Comrades, let us abolish everything -- everything but the great universal embrace."

During his trip around the United States Mr. Khrushchev repeated his economic claims and again on his final television address to the American people he stated that "the average annual rate of industrial expansion in the Soviet Union is about three to five times higher than in your country, and for this reason within the next ten to twelve years we shall surpass the United States both in physical production and in production per capita of the population..."

Now even though we know Khrushchev cannot fulfill his goal of economic growth, his challenge underscores the critical importance of the long-term growth of our economy.

Except for the threat of inflation we know our economy has never been stronger than this past twelve months when it has reached record levels. We have seen this strength in our fibre box industry and it is well for us to reexamine its present position here today and take a hard look at the future of the industry and the economic factors affecting it.



As we review the end-use activity in the economy for fibre boxes you will see that our estimates indicate that this year will average 2,080 million square feet a week, 11 per cent above 1958 shipments. In 1960, demand will average an estimated 2,180 million square feet a week, 5 per cent above 1959 shipments. By 1970, demand is forecast at 3,300 million square feet a week, 59 per cent above shipments this year. And so it goes up to 1975 when demand is forecast to reach an estimated 4,140 million square feet a week, 99 per cent above 1959 shipments. In short, we expect fibre box demand to double by 1975.

Now that is not the result of a slow developing economy.

You have been given a set of tables and charts on the economy and the outlook for the fibre box industry. These tables and charts have the details of our forecasts both for the long and short term. They give you a very detailed analysis of where we are in the economy and the position of the fibre box industry today and where we expect to be going in the future.

Economist Spots a Fallacy On Future Soviet Growth

**Present Rate
Can't Continue**

By ELMER C. WALZER,
United Press International.

If you think as does Premier Khrushchev that the Soviet will overtake the United States shortly in its economic growth, let a little child lead you out of that delusion.

Dr. Colin G. Clark, director of research of the Econometric Institute, told the little group to the Senate-House Economic Committee to illustrate the Russian situation.

Soviet Economy Held Steadily Falling Back in Race With US

WASHINGTON (UPI). — Two leading economists told the Senate-House Economic Committee that the American economy will never be buried by Russia. Instead of overtaking the U.S., they said, the Soviet Union is steadily falling further behind. Peter W. Hargue, president of research of the Econometric Institute, a business advisory organization, called the "war" between the two nations a "race" in which the U.S. is winning.

I will review first some aspects of our economy and then the short and long-term demand for fibre boxes -- but first I would like to make one point of rebuttal on Mr. Khrushchev's claims.

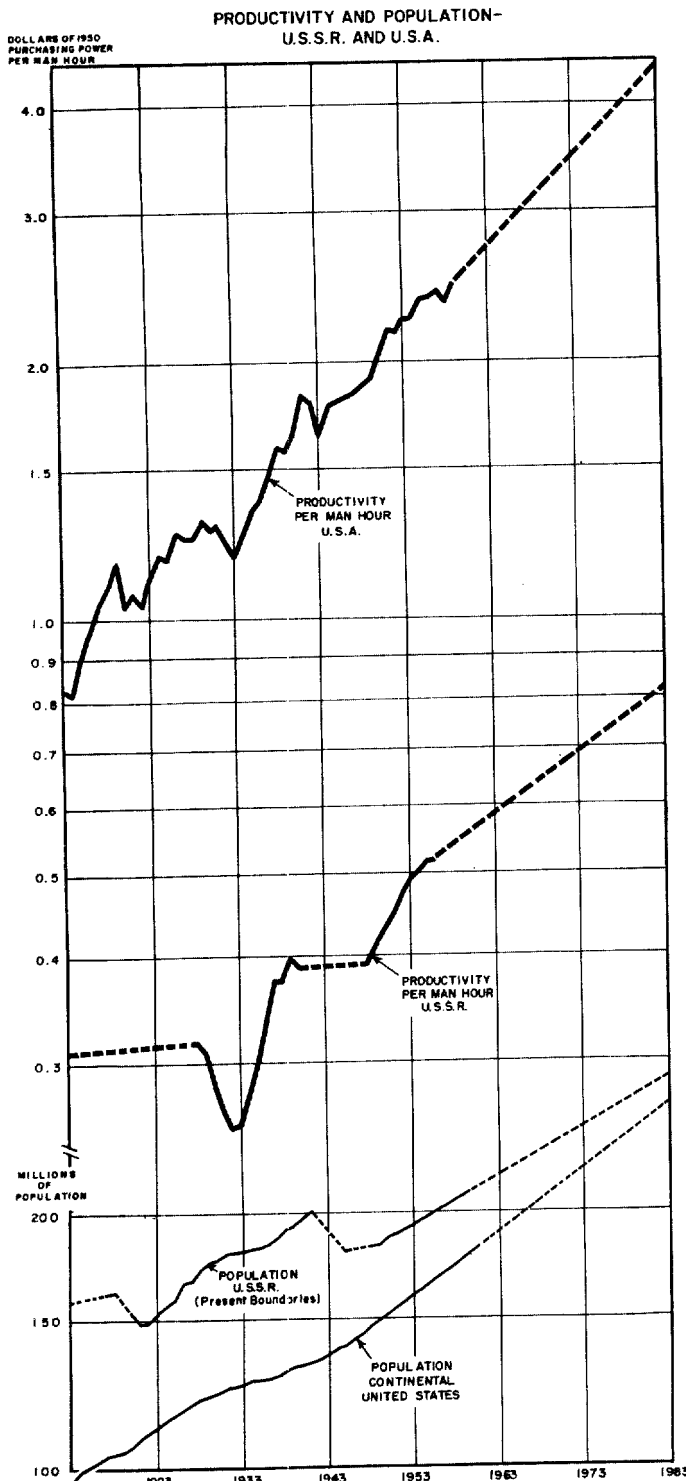
We felt these were so full of propaganda and so important that two officers of the Econometric Institute offered testimony before Congress on the comparative economies of the U.S. and U.S.S.R.

Soviet Economy Falling Behind

Comparative Charts of U.S.
and U.S.S.R. Growth

The data and charts presented to the Joint Economic Committee of the House and U.S. Senate were prepared by Dr. Colin Clark, our director of research. He has had twenty years of experience in these matters. He wrote a "Critique of Russian Statistics" in 1939 and has just finished for publication in December 1959 another book entitled "The Real Productivity of Soviet Russia." This chart compares productivity per man hour in the U.S.A. and productivity per man hour in the U.S.S.R. and also the rate of population growth in both countries. The size and vitality of a country's basic population and the rate of productivity of that population are the root of all economic activity.

Productivity in the United States has been rising at a rate of 2.3 per cent per year. As the chart shows, productivity in Russia, if you take it from 1913, has been rising at 1.2 per cent per year and from 1939 at 1.6 per cent per year. So U. S. A. productivity per man hour measured in dollars of 1950 purchasing power far exceeds that of Russia. In fact, as indicated on the chart, it will take Russia until 1980 to come up to the level where the U. S. A. was in 1913.

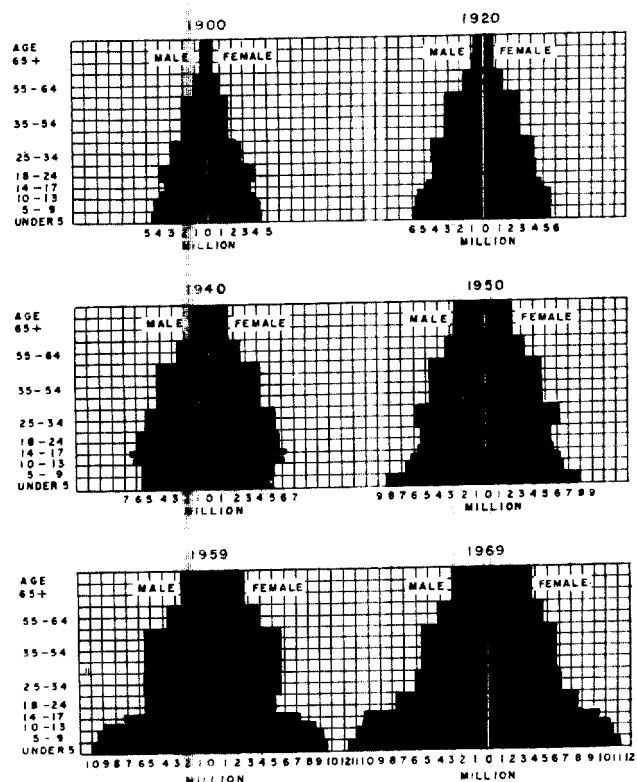


Population

America's future and our economic growth depends considerably on the vitality of our own people and our fast growing population.

Also, the rate of growth in population in the United States is faster than that of Russia. The U. S. growth was slow in the 1930's but with the post-war baby boom is now accelerating and is at the rate of 1.7 per cent per annum. The U. S. total population is 177 million. Russia's latest census taken in January 1959 shows a population of 209 million. Its rate of growth is 1.5 per cent per annum and may decelerate as it did in the 1930's. The drop of the dotted line on the chart is due to the large wartime Russian losses.

POPULATION OF THE UNITED STATES - BY AGE GROUPS



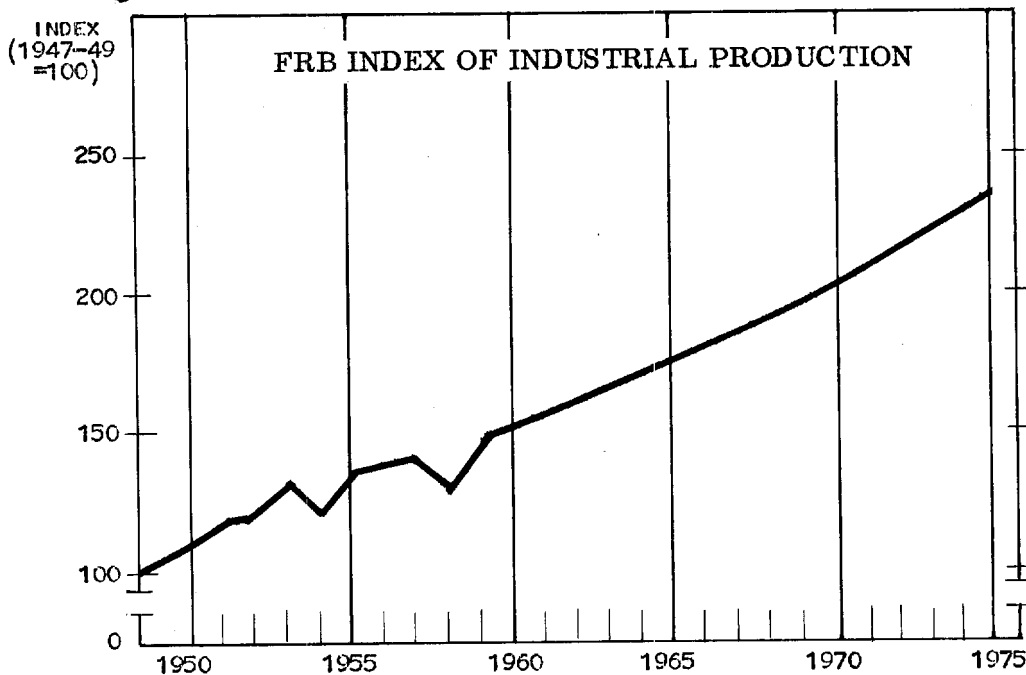
SCALE - EACH SQUARE BOX REPRESENTS ONE MILLION PERSONS ■

In mid-1959 our population numbered 177.0 million persons. It is expected to reach 191.7 million at mid-1964, a gain of 8.3 per cent. By 1975, there will be 231.6 million people in the United States. This will be a 31 per cent increase above our population in mid-1959, and will mean there will be nearly one-third more people in the United States in 1975 than there are today.

During the next five years our population growth will be concentrated heavily in the people under 25 years old and the people over 65 years old. (The population between the ages of 25 and 64 is likely to grow at a much slower pace, rising only 2.7 per cent during the next five years.) With the fastest population growth concentrated in the under 25 group, the teen-age market will grow in importance in the next few years.

The long-term growth in our population is probably the basic force in our economy which will create an increasing demand for goods and services.

Industrial Production - - Long Term

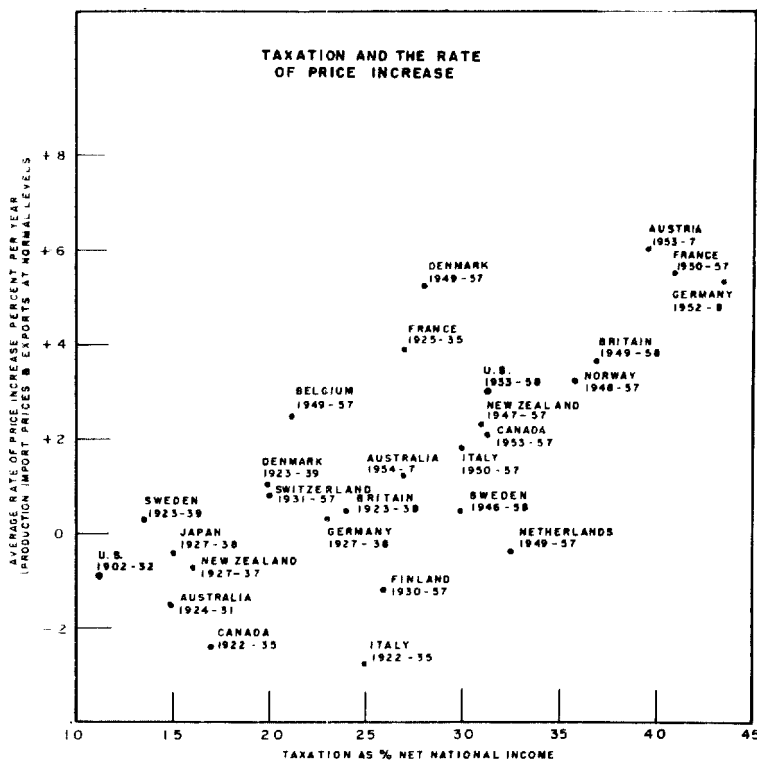


The best measure that we have today of economic activity is the Federal Reserve Board index of industrial production. We expect this index to average 150 this year (1947-1949=100). This will be 12 per cent above production in the recession year 1958. In 1960, the index is likely to average 156, a gain of 4 per cent over 1959 production.

By 1965, it is likely to be at the 178 level, 19 per cent above production this year. And by 1975, we expect the index to reach 240, which will be 60 per cent above 1959 production.

These long-term forecasts indicate a yearly growth rate of about 3 per cent for industrial production, but they do not preclude a possible recession in 1961 or a repetition of the business cycle.

Comparative Levels of Taxation and the Rate of Price Increase in Various Countries



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While economic activity can be expected to expand in the coming decade, this growth may be hindered by inflation and continued high levels of government expenditures and taxation. High taxes will hold down growth in personal and corporate savings, and contribute to further price rises in the economy. The Econometric Institute recently submitted evidence on this point also before the U. S. Senate Joint Economic Committee and this evidence indicated that excessive taxation is the underlying cause of inflation. Our studies covered not only the United States economy but also the economies of many other countries.

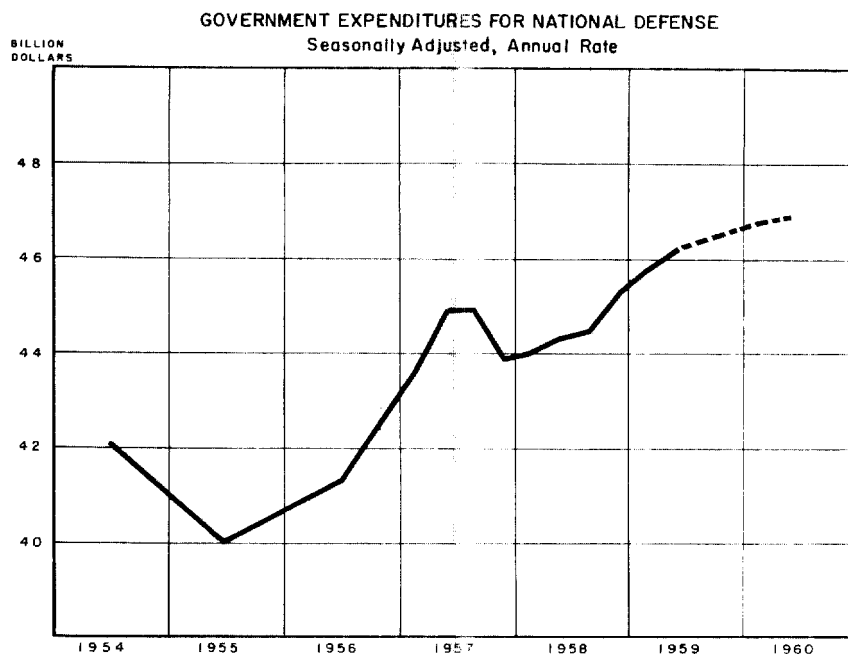
As the chart shows, the safe limit of taxation is approximately 25 per cent of net national income. In each country where taxes exceed the 25 per cent limit, there is a substantial rise in prices. Note the average rate of price increase is almost 3 per cent for the U. S. and 4 and 5 per cent for nations with even higher tax rates such

as France and Austria, shown on the right of the chart.

Taxation in the U. S. is 31 per cent of net national income. To bring U. S. taxation back to a level of approximately 25 per cent of net national income would mean cutting some \$26 billion per year out of the present total of \$129 billion per year of Federal, state and local government expenditures.

Such a step is difficult but would insure a healthy economic growth in the coming decade, and mean keeping government spending and taxes at moderate levels.

Government Expenditures for National Defense



ECONOMETRIC INSTITUTE

Government Expenditures for National Defense

We are now spending 10 per cent of our net national income on defense --- approximately \$42 billion. The British Commonwealth countries are spending about 5 per cent of their net national income. Recently the President appeared before the World Bank and International Monetary Fund and asked other nations to take on a greater share of aid to the under-developed countries. The current NATO meetings in Europe will review our share of military support and foreign aid, and over the long term it is hoped we can have less of a burden and a greater participation by other countries, especially those whose economies have had such a substantial gain in the postwar period.

Japan and Germany are currently contributing nothing to these security programs of the West.

With less of a burden from defense expenditures on the U. S. economy and with some reductions in possible uneconomic state and local programs, taxation levels could be lowered. As we saw on the preceding chart, on causes of inflation the average rate of price increase is lower with lower tax levels.

Labor's Growing Influence

Since AFL joined CIO in political activity after 1946, there has been a steady growth in the number of congressmen whom COPE claims as friends because they vote right on a large majority of issues

	SENATE	HOUSE	ELECTED IN
80th	25	83	1946
81st	44	209	1948
82nd	38	183	1950
83rd	36	153	1952
84th	40	190	1954
85th	42	191	1956
86th	53	221	1958

The postwar increases in taxes and wage costs have threatened our world position and import and export trade. From 1900 to 1932 wages tended to rise at the rate of 1.4 per cent per annum, and since 1933 the average rate of wage increases in years of normal full employment has been 5.3 per cent per annum, substantially higher than the 2.3 per cent per annum rate of growth of productivity. Labor has had a growing influence but wage increases are

not the sole cause of inflation and as we have pointed out taxation levels could be lowered allowing more capital for investment. To help in this respect our depreciation laws also could be changed from a cost of acquisition basis to a cost of replacement basis.

As we can see on this chart, labor's position has changed considerably since the war. The joint A. F. L. and C. I. O. political committee now claims as friends 53 Senators and 221 Congressmen compared with only 25 Senators and 83 Congressmen in 1947 when the Taft-Hartley Act was passed. What the future political composition of

Congress will be is a serious but open question. Fortunately, some steps to stop unlimited spending of union funds and other irregular activities have been taken this year with the passage of the Landrum-Griffin bill.

First Round Against Hoffa



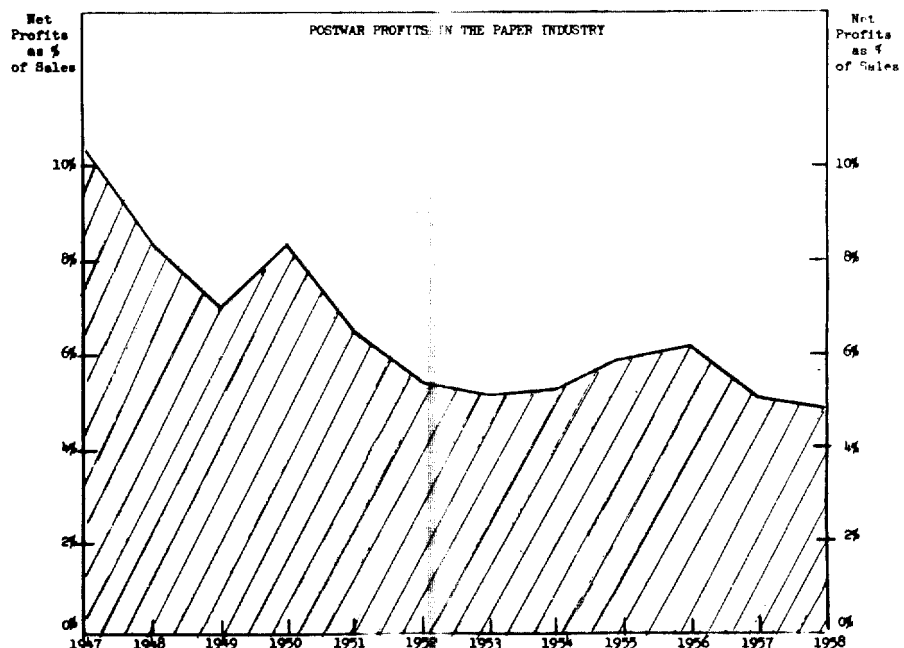
In this respect the Teamsters union has had considerable publicity and I am proud of the limited part I personally could play two years ago in helping the New York rank and file Teamster group and our next speaker Godfrey Schmidt start the first round of the fight for better unions and free elections. It is a great pleasure to see him here today and to share this platform with him.

Paper Profits

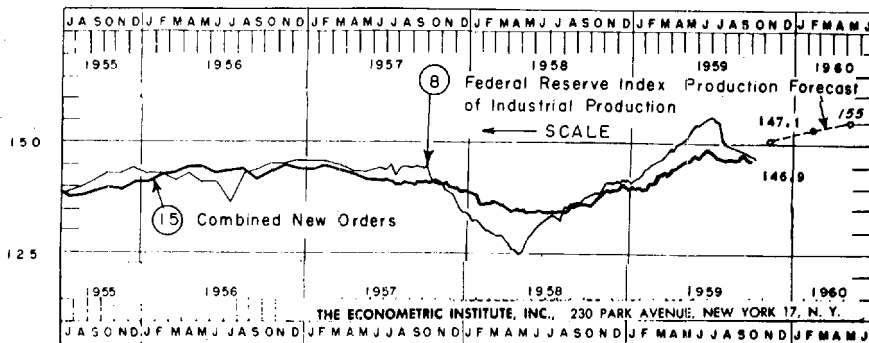
The paper and fibre box industry has not escaped the effects of increased costs and higher taxes. Philipp Brockington pointed this out yesterday and again Al Newburg today very graphically with his charts. Also, Clarence Smith has suggested that we can have no real progress without profit. Our goal is to be a growing and profitable enterprise and steps should be taken to turn around the postwar trend which we see here on this chart. Net profits as a per cent of sales was 10.3 per cent in 1947 and declined to 4.8 per cent in 1958.

In 1959 there has been some recovery owing to higher levels of operation, but despite these increases net profits are still at the relatively low level of 5.3 per cent of sales.

While the fibre box industry can look toward a substantial long-term growth, increased business will not mean higher levels of profits unless government expenditure and taxes can be cut and the wage-price spiral halted.



**Industrial Production --
Short Term
(Economic Measures)**



Perhaps the most important question for the short term outlook is the length of the current boom. If the economy follows its typical postwar pattern, there could be a downturn in 1961. The full business cycle has in the past moved with a time period of approximately four years with downturns occurring in October 1948, May 1953 and July 1957.

At the moment, we do not have any definite evidence as to the timing of such a downturn in 1961. The length of the current period of prosperity will depend to some degree on the level of interest rates and the high cost of money will eventually have a depressing effect on the boom.

For the short term, our position is generally that 1960 will be a capital goods and construction year with a strong demand for machinery and industrial construction.

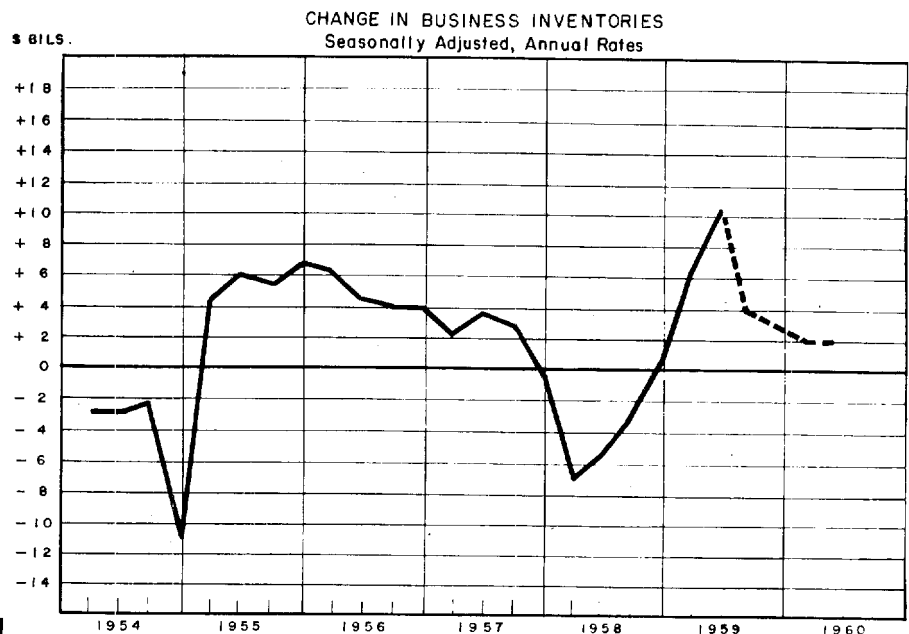
The extent of the business recovery and its continuance in 1959 can be seen from this slide on the level of industrial production. Production rose about 70 per cent as much again in the first half of 1959 as it did from the bottom of the recession in April 1958 to December of that year. Production dropped as the steel strike started in the third quarter of 1959, but with this strike likely to be settled very shortly under the Taft-Hartley Act, production will rebound as indicated by our forecast on the chart.

By the second quarter of 1960, production will exceed the second quarter highs reached for this year, a level of 155.

For 1960 as a whole, industrial production is expected to be 4 per cent above 1959 levels and fibre box demand 5 per cent higher.

Business Inventories

One major characteristic of the past year has been inventory accumulation. Inventory accumulation was widespread

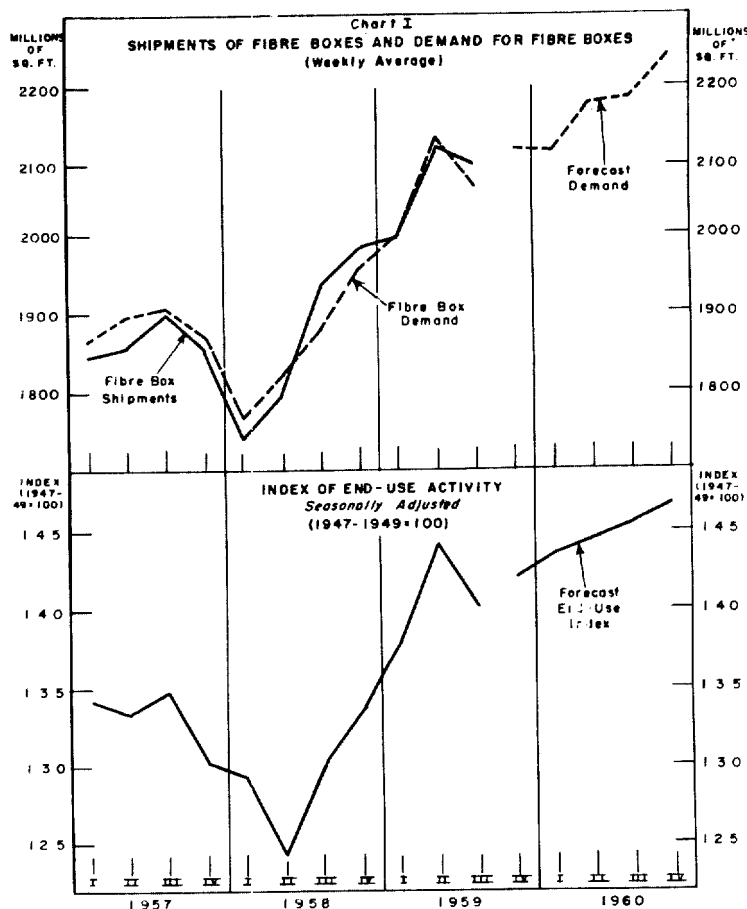


in the first half of 1959 and is likely to be at more normal levels in the rest of 1959 and all of 1960. In fact, the coming year will bring a shift in business investment away from inventory accumulation and toward new plant and equipment expenditures. The figures noted in our table marked "Extracts from the Econometric Institute Forecasts" show our forecast of relative stability of inventory levels in 1960 compared with 1959.

Expenditures for business inventories are likely to range from \$2 billion to \$5 billion in 1960 compared to \$.8 billion to \$10 billion in 1959. So, inventory accumulation in 1960 will be at a reduced rate as shown on this chart.

II. SHORT-TERM OUTLOOK FOR FIBRE BOXES

Shipments of Fibre Boxes and Short-Term Demand for Fibre Boxes



The short-term outlook for fibre box demand is best shown by a review of the sectors of the economy which comprise the industry's most important markets.

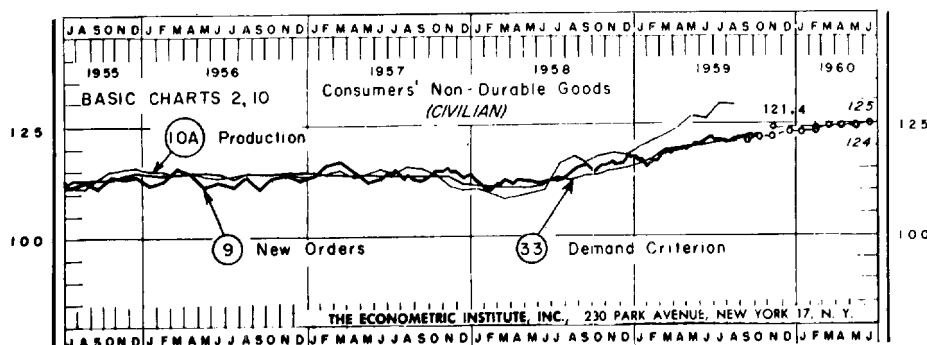
As seen on this chart, fibre box shipments continued at a strong level in the third quarter of 1959 despite a decline in end-use activity. Shipments are estimated at 2,100 million square feet a week for the third quarter, 8 per cent above the year-earlier level reflecting some building of inventories.

For 1959 as a whole, we expect fibre box shipments to average 2,080 million square feet a week. This will be 11 per cent over last year's or 1958's shipments of 1,872 million square feet.

In 1960 the total end-use activity in the economy will give us an expected demand of 2,180 million square feet a week,

5 per cent above estimated 1959 shipments.

Consumer Non-Durable Goods



The sector of the economy which is the most important market for fibre boxes is that of consumer non-durables.

It includes foods, textiles, leather and clothing. Here on this chart we see the production line which has been

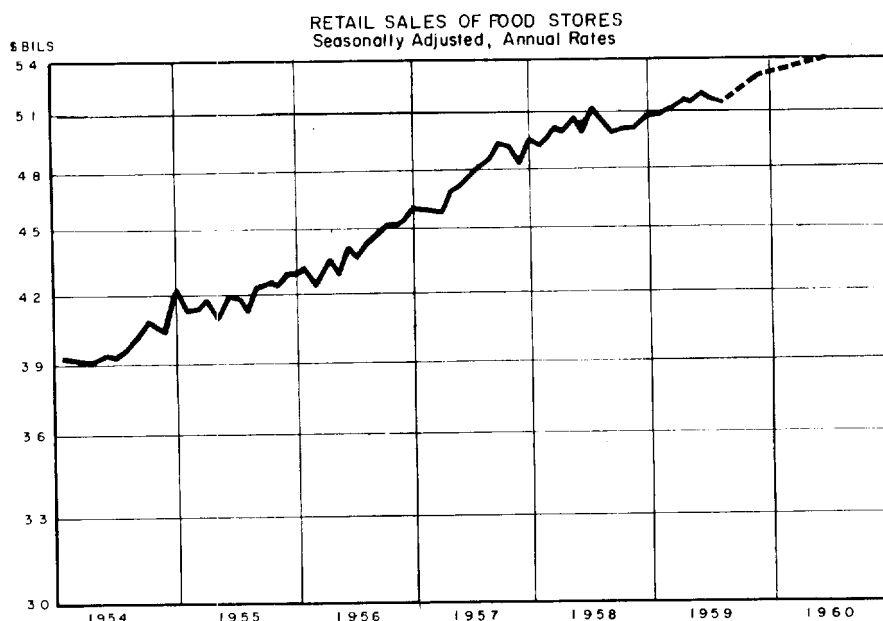
running substantially above our new orders and demand criterion lines throughout the year thus far, indicating again the first half 1959 build-up of inventories.

Notice the sharp rise in production for the first nine months of the year. In August 1959, the index of consumers' non-durable goods production was at the level of 129.3. It will probably decline to the 124 level in the year ahead.

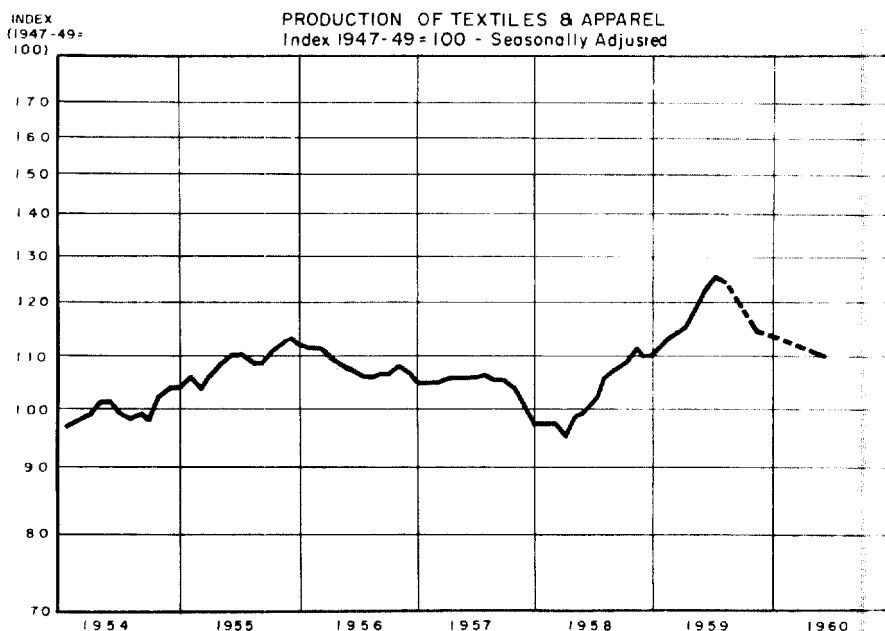
Even though this sector as a whole is expected to decline, that part which is most important to the fibre box industry -- the perishable goods sector -- will register a gain of 2 1/2 per cent in 1960. The perishable goods industries, mainly the foods industries, purchase about 40 per cent of fibre box output each year.

Retail Sales of Food Stores

Retail food store sales are expected to reach a seasonally adjusted annual rate of \$54.0 billion in the second quarter of 1960, 4 per cent above the year-earlier level. This rising trend in retail food store sales is a basic growth factor in fibre box demand.



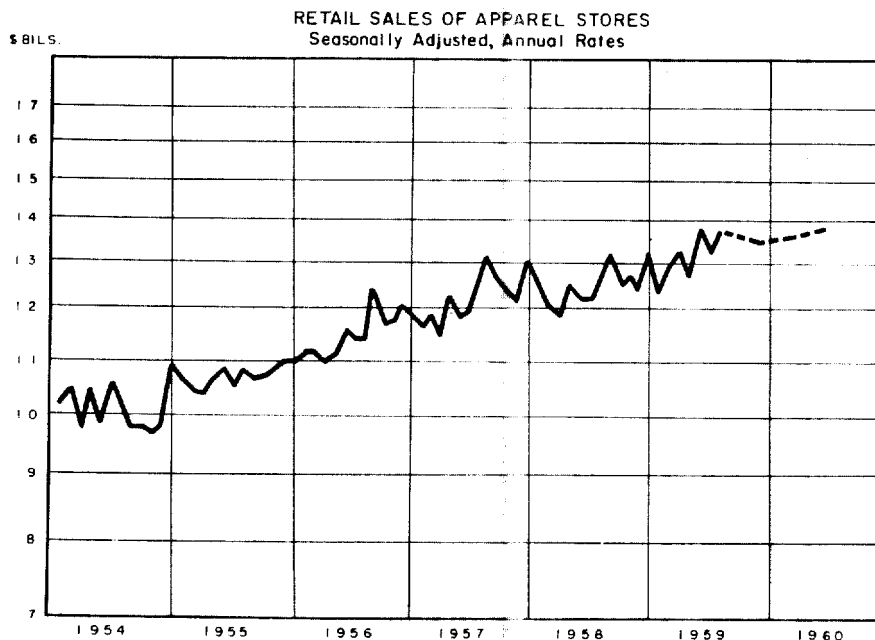
Production of Textiles and Apparel



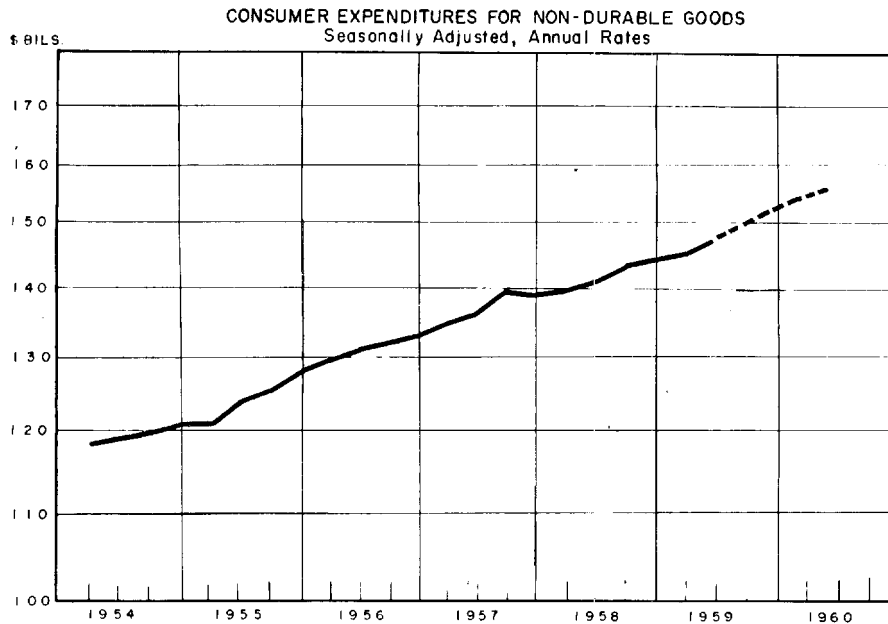
The decline in production of non-durables, which we are forecasting in our Economic Measures, will be centered in the production of semi-durables, principally textiles and apparel. As indicated on this chart, the index will decline from 125 in mid-1959 to 110 by June 1960.

Retail Sales of Apparel Stores

Retail sales of apparel stores will not have a similar decline but will be moderately lower in the fourth quarter mainly because of a temporary lower level of consumer expenditures stemming from the steel strike. As shown on the chart, retail sales of apparel stores will turn up again at the first of the year but at a slower rate than we have had thus far in 1959.



Consumer Expenditures for Non-Durables

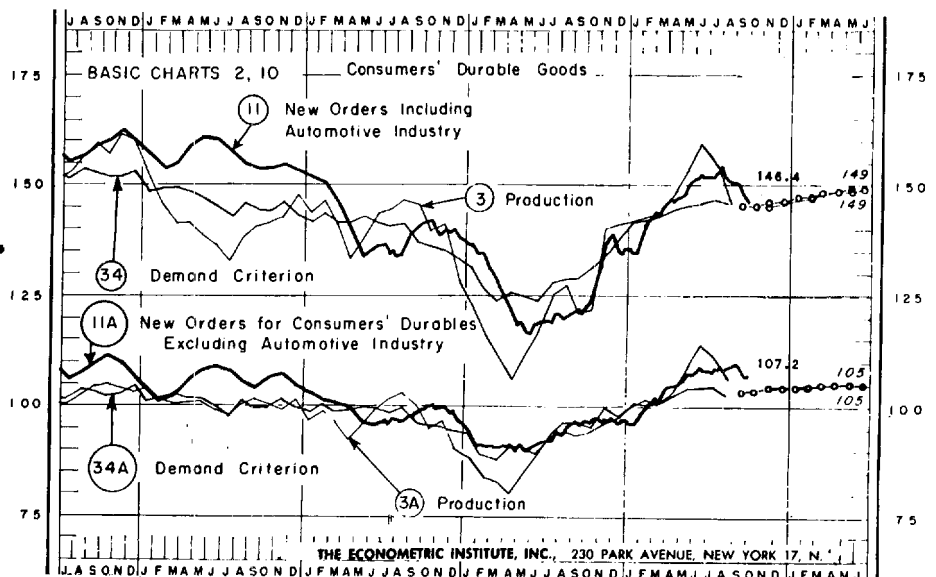


Rising consumer expenditure levels will be responsible for this improvement in 1960. We expect expenditures to reach a seasonally adjusted annual rate of \$155.4 billion by the second quarter of 1960, 5 per cent above the year-earlier level.

Consumer Durables

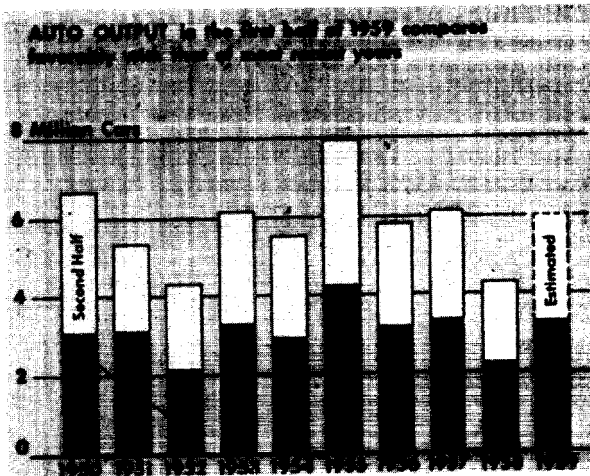
While the consumer non-durables sector accounts for about 60 per cent of fibre box shipments, the durable goods sector only accounts for 13 per cent of shipments. Here we include autos and appliances and furniture.

As shown on the chart, durable goods production has provided a substantial part of the recovery of 1959. Auto sales have come from a low of 4.4 million cars in 1958 to an estimated 6.3 million in 1959. We are forecasting that next year's sales will be



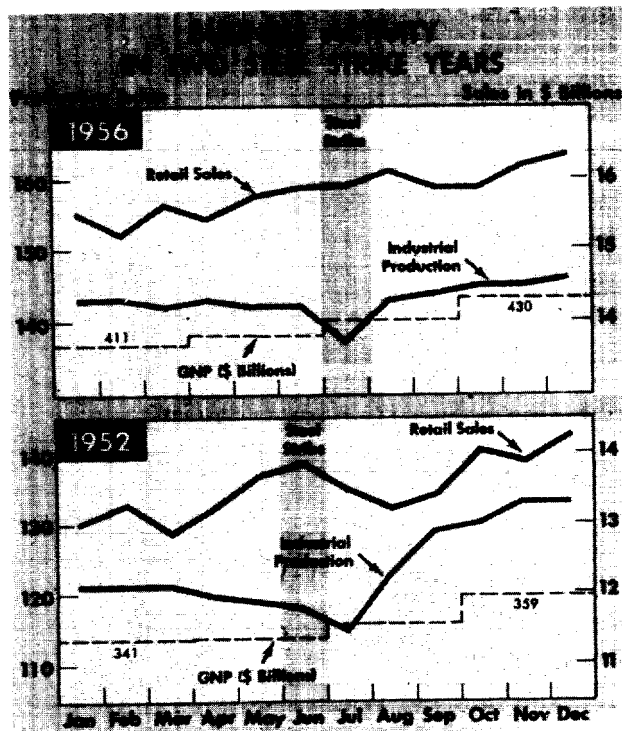
6.5 million cars. The downturn of the production line on the chart in the third quarter reflects the model changeover to the new 1960 cars.

Production of Passenger Cars



As shown on this chart, we had a good year in autos with over 6 million sales and recovered sharply from the low levels of auto production in the recession. The stock of cars will be an influence in keeping 1960 sales at moderate levels.

Business Activity in Two Steel Strikes



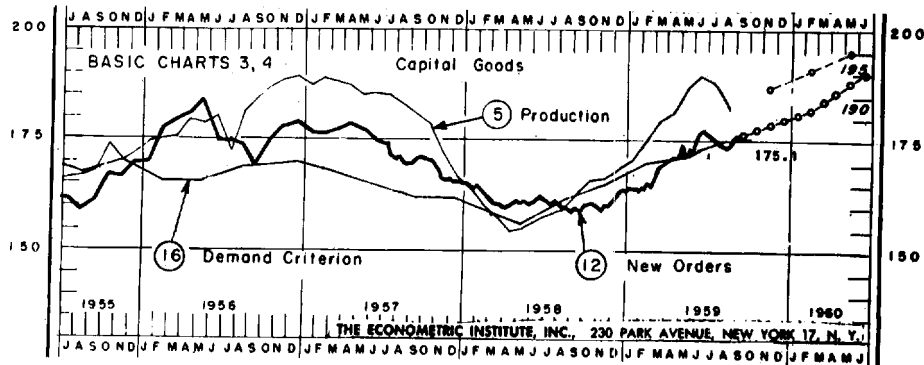
The steel strike is expected to be terminated shortly under a declaration of a national emergency and the use of the Taft-Hartley Act by the President. Production lost during the strike is likely to be made up later in the year if previous strikes are a precedent. As shown on this chart, the steel strike of mid-1956 lasted about five weeks, but by September of that year steel output, industrial production and retail sales rolled above pre-strike levels. In the summer of 1952 the strike lasted some eight weeks, by September both steel output and total industrial production had recovered to new high levels. In neither case did third quarter GNP drop below its second quarter level.

This is not to imply that the steel settlement has no long-run significance. On the contrary, the terms of the settlement are of great importance to the future

economic welfare of the country. Steel is a basic material, and a wage agreement which is followed by an increase in the price of steel will raise costs in all industries which use steel. Secondly, the steel contract has in the past set the pattern for wage contracts

in many other industries. A settlement which triggers another round in the upward wage-price spiral would constitute a serious setback in the battle against inflation, not to mention its effect on the already weakened competitive position of American industry in world markets.

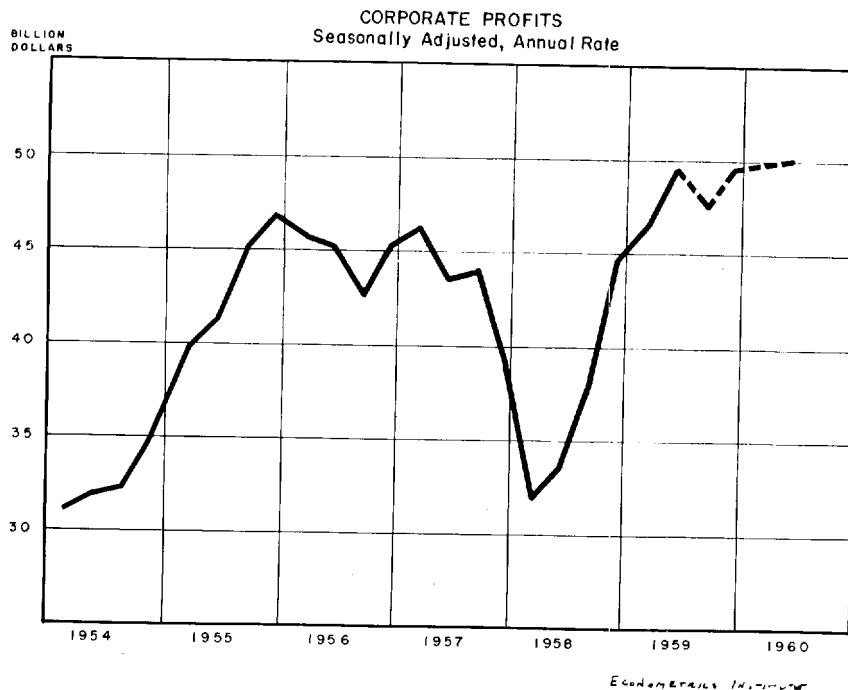
Capital Goods



Production of capital goods dropped in August and September as a result of the steel strike, but is likely to show year-to-year gains of 5 per cent in the first half of next year as shown in this chart. The key factor in rising capital goods production is the

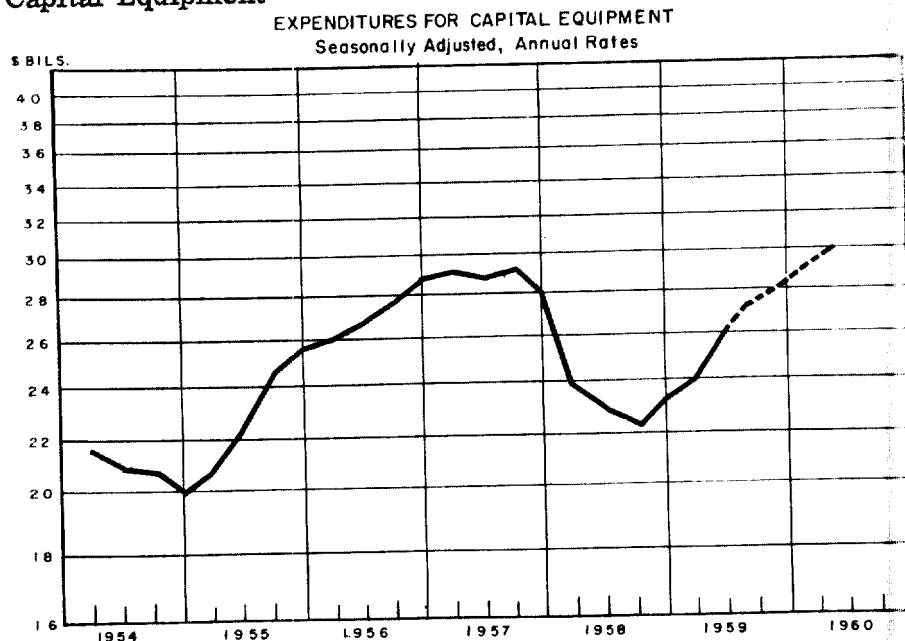
strong level of corporate profits this year.

Corporate Profits



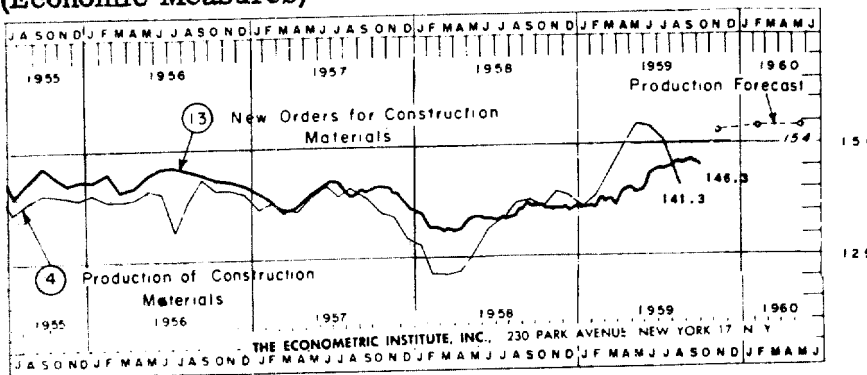
Corporate profits of manufacturing corporations in the second quarter of 1959 were up 71 per cent from a year earlier, and were at a level of \$48.0 billion. They are forecast to continue to rise to \$51.9 billion by the fourth quarter of 1960 as shown on the table in the extracts from the Institute's forecasts.

Expenditures for Capital Equipment



The coming boom in capital goods is also reflected in the level of expenditures for capital equipment. Expenditures for capital equipment are forecast to rise from a seasonally adjusted annual rate of approximately \$26 billion in the second quarter of 1959 to a rate of \$30 billion in the second quarter of 1960.

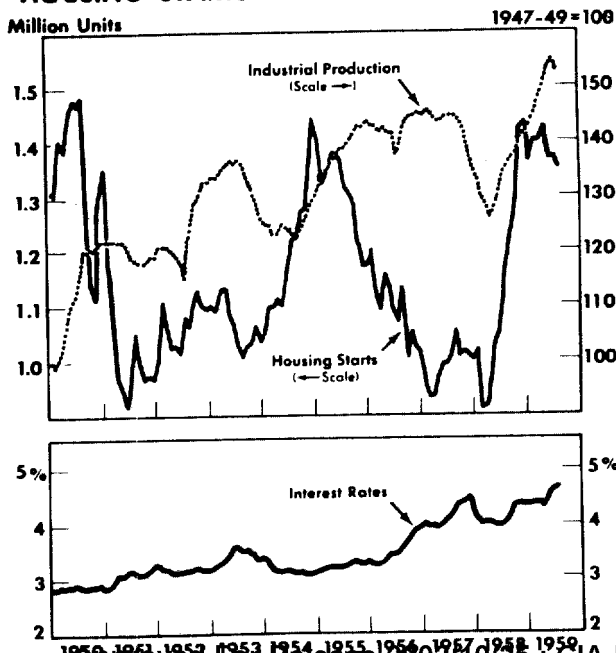
Construction Materials (Economic Measures)



This chart shows the outlook for construction materials. Fibre boxes are used to package such construction materials as paint, tiles and hardware.

Production of construction materials has dropped from the May 1959 highs as a result of the steel strike, but production in the first half of 1960 will be 5 per cent higher than a year earlier.

HOUSING STARTS AND INDUSTRIAL OUTPUT

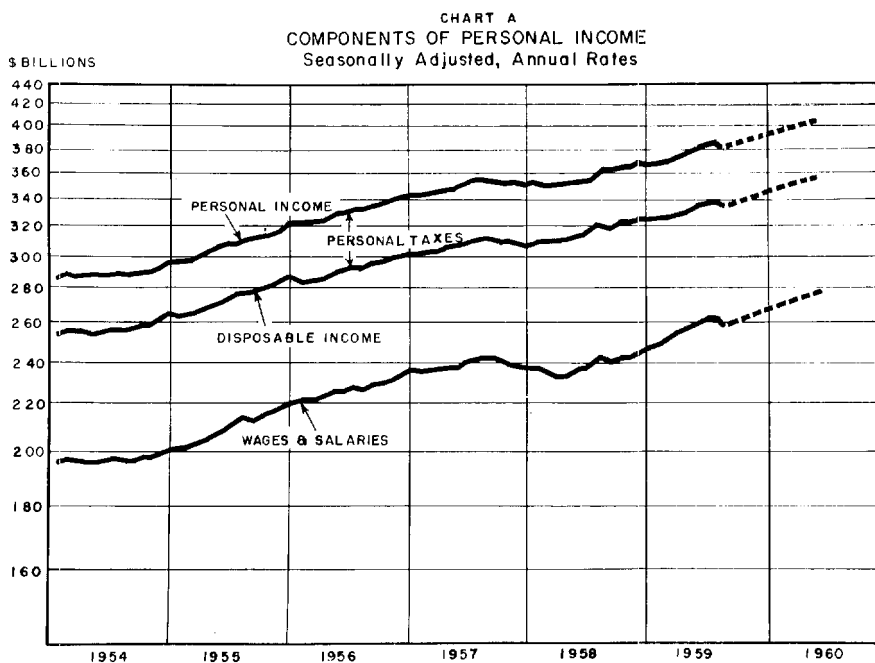


Demand for construction materials is likely to weaken in the residential construction sector because of a decline in new housing starts which are being affected by higher levels of interest rates. Housing starts were at a high level of 1.5 million early this year. Now they will

finish 1959 with a total of 1.4 million and in 1960 we expect only 1.2 million housing starts. Housing starts have in the past reflected changes in interest rates as shown on this slide.

Industrial sectors of the construction industry are expected to register considerable gains in the coming year, and these will more than off-set weakness in residential construction and help increase demand for construction materials.

Personal and Disposable Income



This review of the various components of the economy shows us that industrial production will continue to expand in the coming year, and will generate gains in employment, and consumer income and buying power. Total employment reached a peak for July of 67.6 million. This was about 2.4 million over the year-earlier level.

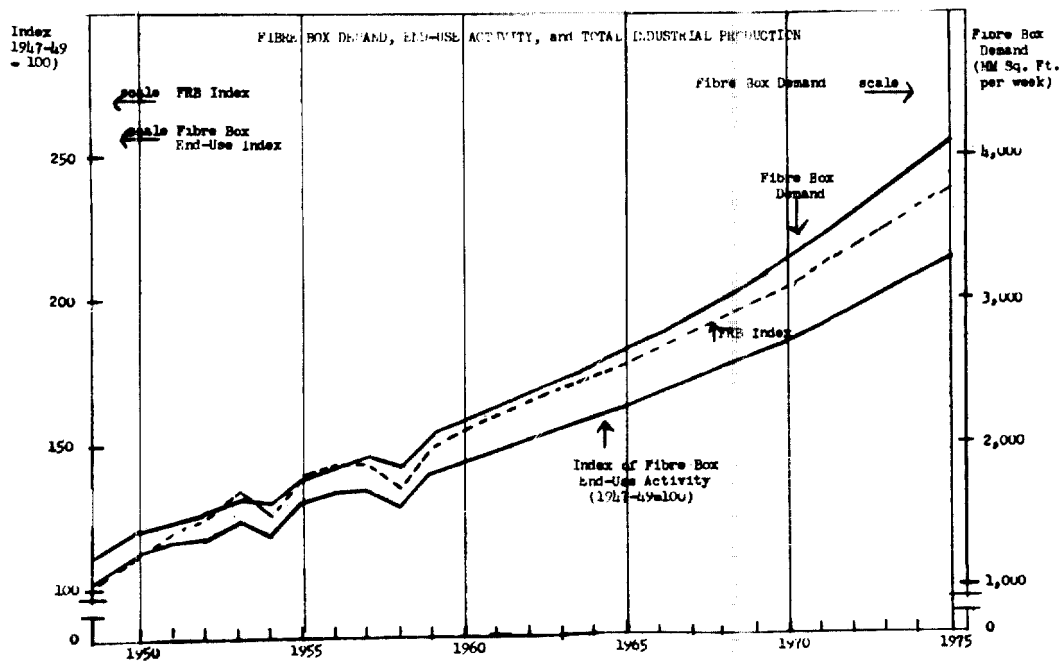
Hourly earnings for the first half of 1960 are forecast to be 5 per cent to 6 per cent above 1959 levels contributing to higher levels of personal and disposable income as

shown on this chart and our economic measures where we show disposable income reaching a level of \$350 billion by June 1960.

We expect personal income to average \$383 billion for the year 1959 as a whole, or 7 per cent above the 1958 level of \$359 billion. By June 1960 it will be \$405 billion.

III. LONG-TERM OUTLOOK FOR FIBRE BOXES

Fibre Box Long-Term Demand and FRB Long-Term Index



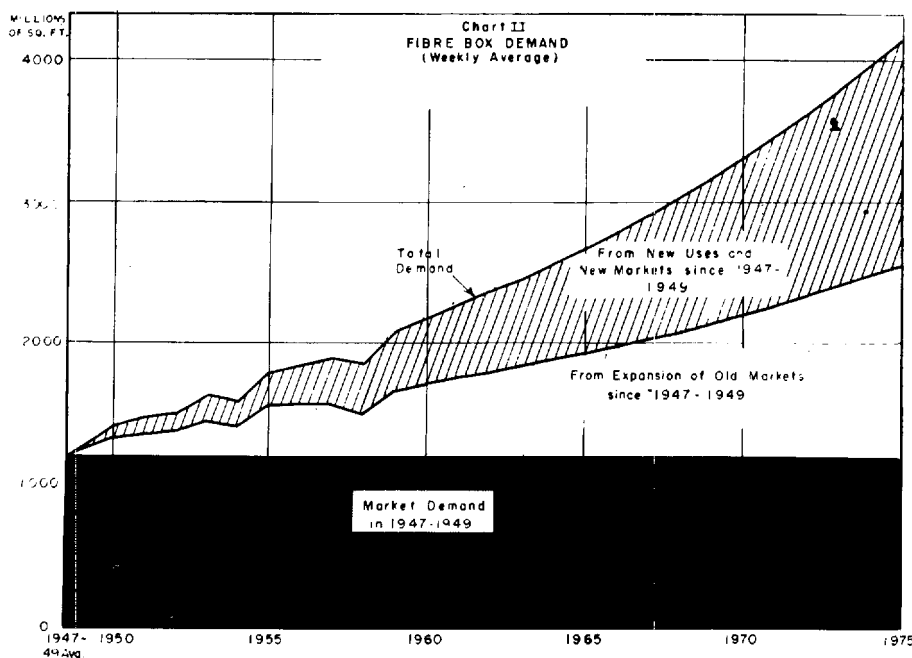
In conclusion, I would like to add some comments about the long-term outlook of fibre box demand beyond 1960 and up to the year 1975. At the outset, I stated that fibre box demand would double by 1975 reaching an average of 4,140 million square feet per week.

As shown on this chart, fibre box demand will grow faster than the F R B index and faster than the index of fibre box end-use activity.

In terms of rate of growth, between now and 1975 fibre box demand is expected to rise an average of 4.4 per cent a year. This compares with an annual average rate of growth of 5.8 per cent during the 1950's. Our long-term forecast thus indicates a moderate slowing-down in the rate of growth of fibre box demand. But, this rate of demand is still a faster rate than that for total industrial production, which is expected to show a yearly growth rate of about 3 per cent.

Fibre Box Demand Chart II

Here on this chart we have indicated what part of the growth in fibre box demand since the 1947-1949 period has been the result of expansion of old markets



and what part can be attributed to the development of new uses and new markets for fibre boxes since 1947-49. In fact, this chart shows how the development of new uses and new markets has played a key role in the dynamic growth of fibre box demand during the 1950's.

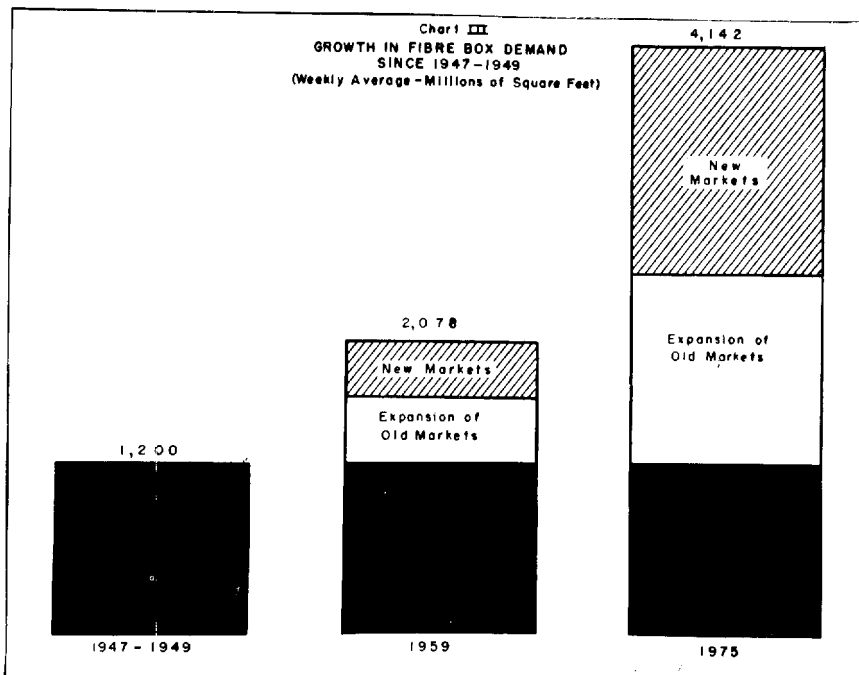
During the 1947-49 period, fibre box demand averaged 1,200 million square feet a week. This year fibre box demand is expected to average 2,080 million square feet a week,

73 per cent above the 1947-49 level. If no new uses and new markets had been developed for fibre boxes since 1947-49, fibre box demand this year would average only 1,670 million square feet a week. This would have been 39 per cent -- not 73 per cent above 1947-49 demand.

Growth in Fibre Box Demand Chart III

Here we show the growth in fibre box demand since 1947-1949 in another way. This chart shows that 53 per cent of the growth in fibre box demand between the 1947-49 base period and 1959 was due to the expansion of old markets, and that 47 per cent resulted from new uses and new markets for fibre boxes since 1947-1949.

By 1975, 46 per cent of the growth in fibre box demand (from the 1947-49 period) will come from the expansion of old markets and 54 per cent from new uses and new markets.



Summary

Our review shows that the fibre box industry has had exceptional growth during the 1950's with demand increasing at an average rate of 5.8 per cent a year.

As we have seen, demand for fibre boxes is likely to show continued strong growth over the next fifteen years, though at a slower rate than in the past decade. Between 1959 and 1975 fibre box demand is expected to rise an average of 4.4 per cent a year. This growth in demand will reflect expanding activity in current markets for fibre boxes as well as the development of new uses and new markets for fibre boxes. It will reflect a steady growth in our economy which will continue to outpace the Russian economy.

In fact, over the long term, we expect fibre box demand will grow at a rate of about 1.6 per cent a year relative to end-use activity.

By 1965, fibre box demand will be at a rate of 2,660 million square feet a week. This will be 28 per cent above estimated 1959 shipments of 2,080 million square feet a week.

By 1970, demand is forecast at 3,300 million square feet a week, 59 per cent above shipments this year.

And by 1975, demand is forecast at 4,140 million square feet a week, 99 per cent above 1959 shipments. In short, we expect fibre box demand to double by 1975.

Over the short-term, gains in fibre box demand in the coming year will be more moderate than those registered this year. The fibre box industry recovered sharply this year from the low 1958 recession level of shipments and 1959 shipments are likely to be 11 per cent above 1958 shipments.

We expect fibre box demand in 1960 to average 2,180 million square feet a week, 5 per cent above estimated 1959 shipments and this rate of growth in fibre box demand will be more closely in line with the long-term trend.

- - - - -

Explanatory Note

The basis for our forecast of fibre box demand -- both over the short- and long-terms -- is a weighted index of end-use activity in the markets for fibre boxes. This index is derived from our forecasts of the components of the Federal Reserve Board's index of industrial production. Each component of the index of

industrial production is weighted in accordance with its importance as a market for fibre boxes. The weights are determined on the basis of the end-use distribution of fibre box shipments during the 1954-1957 period. The consumers' perishables component of industrial production accounts for 40.5 per cent of fibre box shipments; the consumers' semi-durables component, 19.3 per cent; consumers' durables, 13.3 per cent; construction materials, 4.3 per cent; capital goods, 7.3 per cent; fuels, 0.7 per cent; materials and supplies, 14.1 per cent.

In forecasting fibre box demand through 1975, we have projected our end-use activity index for this period using our forecasts of industrial production through 1975. Our forecasts of fibre box demand through 1975 are based on the assumption that fibre box demand will increase at a rate of about 1.6 per cent a year relative to end-use activity.

By 1975, production in the markets for fibre boxes (as measured by our end-use index) is expected to be 52 per cent above production this year. This compares with a 60 per cent increase in total industrial production between 1959 and 1975, and one reason why fibre box end-use activity is increasing at a slower rate than total industrial production is that it is heavily weighted in the consumer non-durable goods sector of the economy. We expect this sector of the economy to have a slower rate of growth than the hard goods sectors.

For this report we have used the 1954-1957 end-use distribution of fibre box shipments as weights in making our projections.

The basic reason why we have chosen the 1.6 per cent rate of growth, rather than the 1.2 per cent rate of the past few years, is that we look for dynamic changes in the packaging industry in the next fifteen years. As the trend toward self-service merchandising continues, packaging will play an increasingly important role in selling products. The dull-brown, poorly printed corrugated shipping container of past years is rapidly giving way to bright, attractively printed cartons that can be used to display merchandise. This trend can be expected to result in an improved competitive position for fibre boxes in various end-use markets -- such as the market for packaging fresh fruits and vegetables, and the market for packaging consumer durables.

The 1.6 per cent rate of growth also takes into account the expected shift in fibre box end-use distribution toward the hard goods sectors of the economy, which is not accounted for in the 1954-1957 end-use distribution weights.

Mr. Peter W. Hoguet, President
The Econometric Institute, Inc.

Attached: Economic Measures, October 7, 1959 (Page 73 and 74); Chart I, II, III;
Table I, II, III; Extracts From Econometric Institute Forecasts,
October 1959

Economic Measures

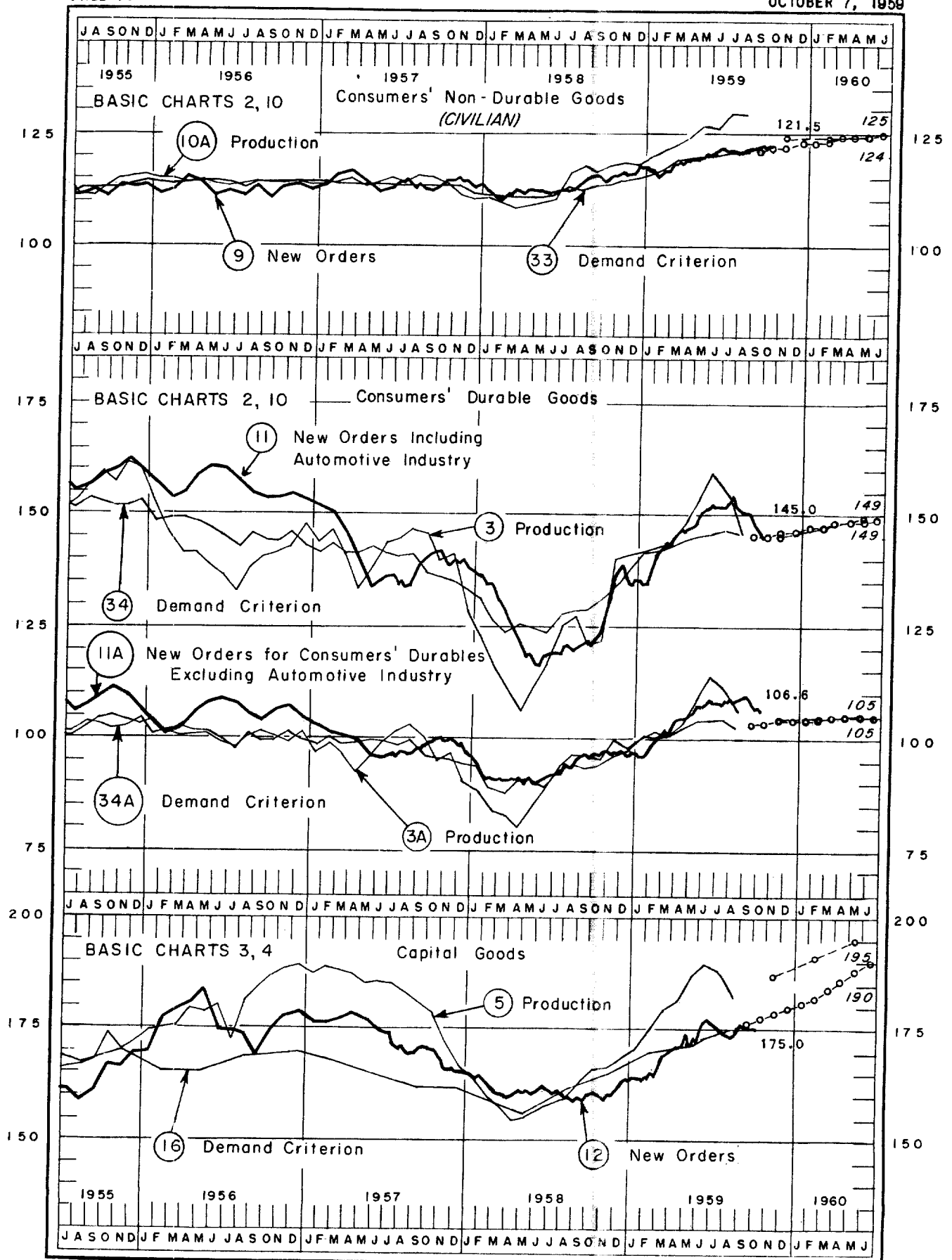
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ECONOMIC MEASURES

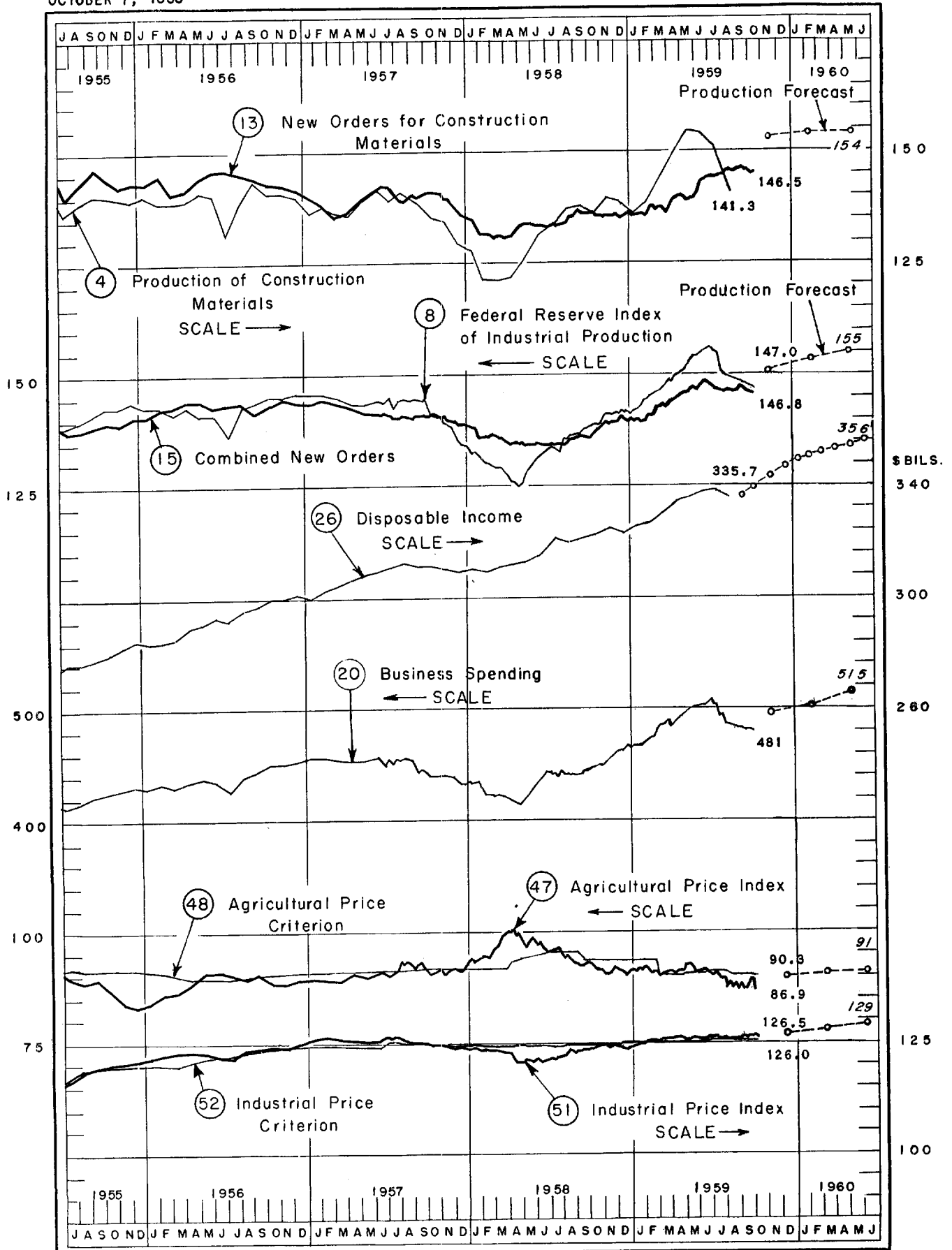
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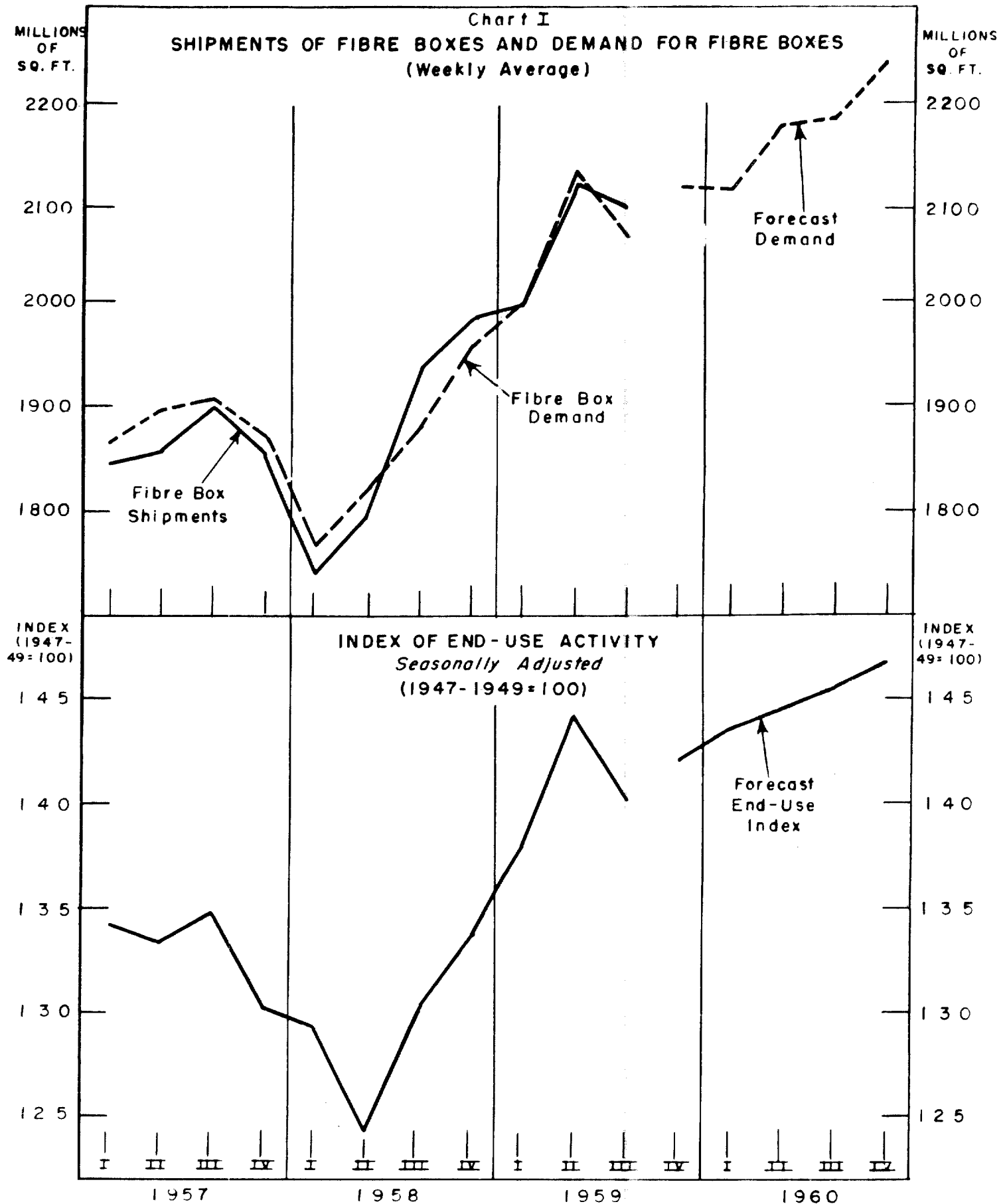
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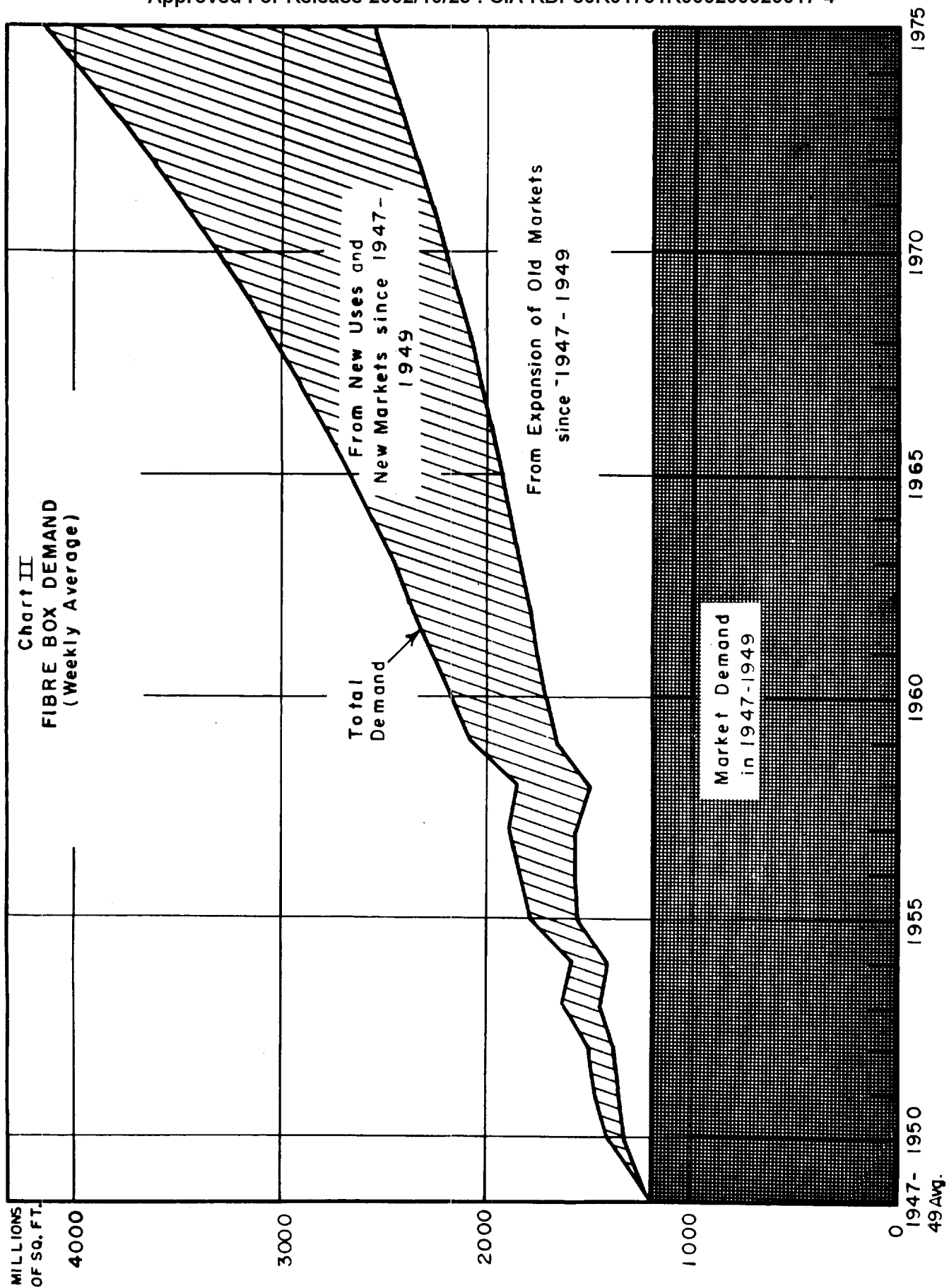
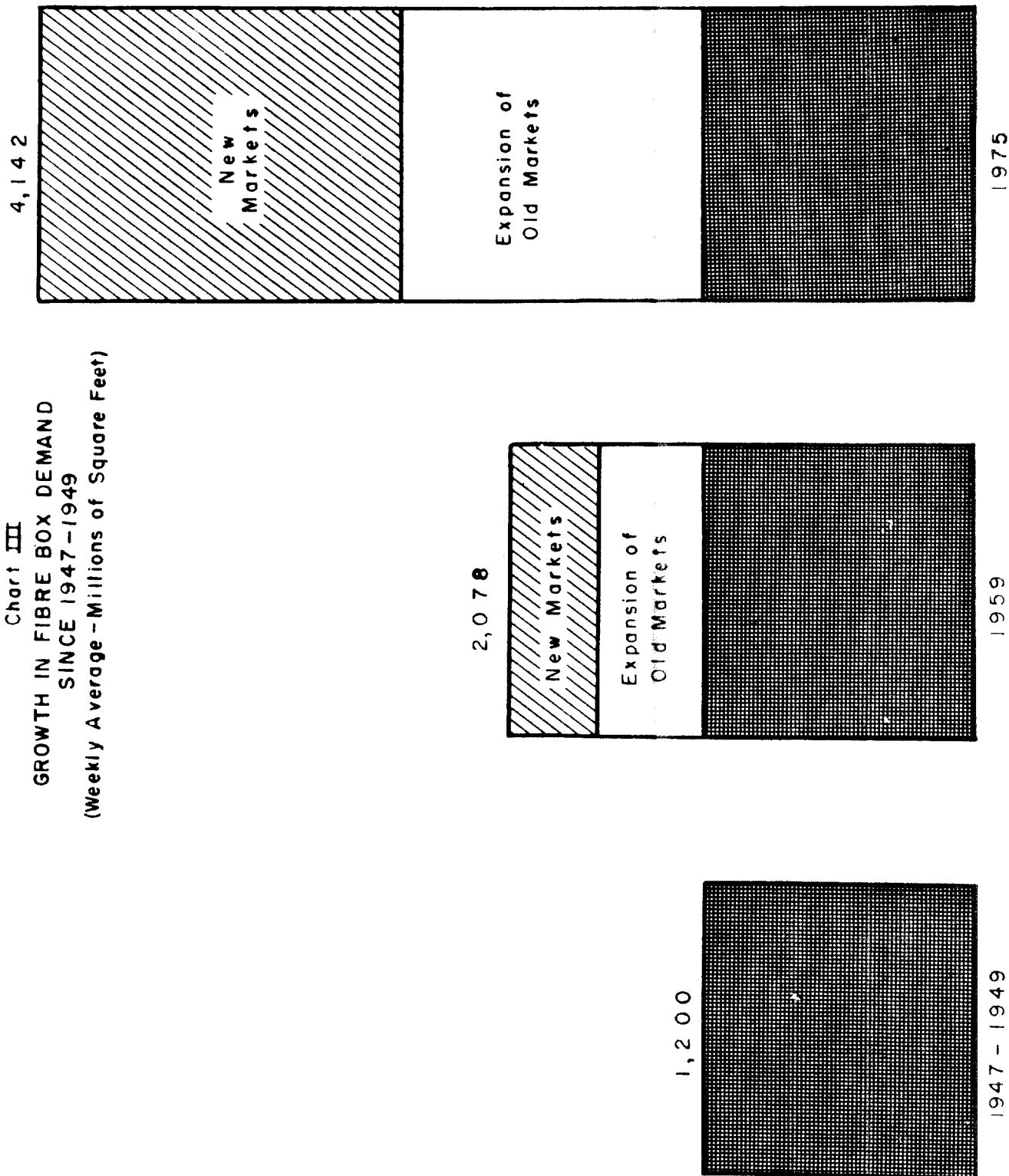


Chart III
GROWTH IN FIBRE BOX DEMAND
SINCE 1947-1949
(Weekly Average - Millions of Square Feet)



FIBRE BOX SHIPMENTS AND DEMAND

	(1)	(2)	(3)	(4)	(5)	(6)
<u>Year</u>	<u>Index of</u> <u>End-Use</u> <u>Activity</u> <u>(1947-49</u> <u>= 100)</u>	<u>Weekly</u> <u>Fibre Box</u> <u>Demand</u> <u>(Seasonally</u> <u>Adjusted)</u> -----Millions of Square Feet-----	<u>Weekly</u> <u>Fibre Box</u> <u>Demand</u> <u>(Actual)</u>	<u>Weekly</u> <u>Ship-</u> <u>ments</u> <u>(Actual)</u>	<u>Shipments</u> <u>to</u> <u>Actual</u> <u>Demand</u> <u>(Ratio)</u>	<u>Tonnage</u> <u>Demand</u> <u>per Week</u> <u>(000s of</u> <u>Tons)</u>
1951	115.7	1,475	1,475	1,485	1.007	112
1952	116.1	1,506	1,506	1,435	0.953	114
1953	123.2	1,627	1,627	1,604	0.986	123
1954	118.5	1,590	1,590	1,598	1.005	119
1955	130.5	1,781	1,781	1,828	1.026	132
1956	132.7	1,840	1,840	1,877	1.020	135
1957	133.2	1,885	1,885	1,868	0.991	138
<u>1958</u>						
I Qtr.	129.4	1,782	1,764	1,740	0.986	128
II Qtr.	124.0	1,786	1,798	1,797	0.999	131
III Qtr.	130.0	1,883	1,877	1,939	1.031	137
IV Qtr.	133.5	1,942	1,956	1,981	1.013	142
Year	128.1	1,849	1,849	1,872	1.012	135
<u>1959</u>						
I Qtr.	138.0	2,017	1,997	1,995	0.999	145
II Qtr.	144.3	2,120	2,135	2,128	1.004	155
III Qtr.E	140.1	2,068	2,062	2,100	1.018	150
IV Qtr.F	142.0	2,105	2,120			155
Year F	141.1	2,078	2,078			151
<u>1960 F</u>						
I Qtr.	143.5	2,138	2,118			153
II Qtr.	144.4	2,162	2,178			158
III Qtr.	145.5	2,189	2,183			158
IV Qtr.	146.7	2,217	2,234			162
Year	145.1	2,178	2,178			158
-----LONG TERM FORECASTS-----						
1961 F	148	2,259				163
1962 F	152	2,361				170
1963 F	155	2,447				176
1964 F	159	2,553				183
1965 F	163	2,663				190
1966 F	167	2,773				197
1967 F	172	2,905				206
1968 F	176	3,023				214
1969 F	181	3,162				223
1970 F	186	3,302				233
1971 F	191	3,447				243
1972 F	197	3,614				254
1973 F	203	3,786				266
1974 F	209	3,962				278
1975 F	215	4,142			(Continued)	290

FIBRE BOX SHIPMENTS AND DEMAND (Ctd.)

E = Estimate.

F = Forecast by The Econometric Institute, Inc.

Notes: (1) Col. 2 shows demand at seasonally adjusted weekly rate
Col. 3 shows demand without seasonal adjustment
Col. 4 shows fibre box shipments as reported by Fibre Box Association
Col. 6 shows tonnage demand for containerboard (including liners, corrugating material, and container chip and filler board) without seasonal adjustment. Tonnage demand for 1958 is based on .0728 tons of containerboard per thousand sq. ft. of fibre boxes shipped; for 1959, .0726 tons per M sq. ft.; for 1960, .0724 tons per M sq. ft. For previous years the prevailing ratios were used.

For the long-term forecast, we assume a further decline in tonnage demand for containerboard per thousand sq. ft. of fibre boxes shipped -- but at a slower rate than in the past decade. Tonnage demand for 1965 is based on .0714 tons of containerboard per thousand sq. ft. of fibre boxes shipped; for 1970, .0705 tons per M sq. ft.; for 1975, .0700 tons per M sq. ft.

- - -

FIBRE BOX END-USE DEMAND
(1947-49=100)

	(1) Con- sumers' Perish- ables	(2) Con- sumers' Semi- Durables	(3) Con- sumers' Dura- bles	(4) Con- struc- tion Materials	(5) Capital Goods	(6) Fuels	(7) Ma- terials and Supplies	(8) Index of End-Use Activity
Weights*	40.5	19.3	13.3	4.3	7.3	0.7	14.1	100.0
1951	107.6	112.8	121.6	121.1	134.0	115.0	125.8	115.7
1952	108.2	112.6	115.0	118.0	156.0	114.0	123.3	116.1
1953	110.8	116.7	138.3	127.7	158.6	117.0	133.6	123.2
1954	109.8	111.7	125.5	122.4	152.7	113.1	127.4	118.5
1955	113.7	123.6	155.1	136.7	164.4	123.6	145.1	130.5
1956	117.7	124.1	141.9	139.8	180.4	129.9	151.8	132.7
1957	117.8	123.5	141.3	137.4	182.6	129.1	155.8	133.2
<u>1958</u>								
I Qtr.	117.1	116.0	116.9	123.8	160.5	116.7	145.8	129.4
II Qtr.	118.5	118.5	112.9	126.9	155.9	110.5	141.6	124.0
III Qtr.	120.5	127.0	125.0	136.4	160.5	120.9	149.1	130.0
IV Qtr.	120.5	129.0	135.6	138.5	167.0	124.0	156.6	133.5
Year	119.2	122.5	122.6	131.1	161.0	117.8	148.3	128.1
<u>1959</u>								
I Qtr.	123.3	132.5	142.9	140.6	175.7	124.0	163.3	138.0
II Qtr.	126.0	139.0	153.5	153.2	185.8	125.0	171.6	144.3
III Qtr. E	124.6	136.5	140.5	151.1	181.7	125.0	164.9	140.1
IV Qtr. F	125.3	134.5	147.0	153.2	187.2	128.1	169.1	142.0
Year	124.6	135.5	146.2	150.0	182.6	126.0	167.4	141.1
<u>1960 F</u>								
I Qtr.	126.7	134.0	148.6	154.2	190.9	129.1	172.4	143.5
II Qtr.	127.3	133.5	149.4	154.2	195.5	131.2	174.9	144.4
III Qtr.	127.3	135.0	151.0	154.2	198.7	132.2	177.4	145.5
IV Qtr.	128.0	136.5	151.8	155.3	200.1	133.3	179.9	146.7
Year	127.3	135.0	150.2	154.2	196.4	131.2	176.6	145.1
-----LONG TERM FORECASTS-----								
1961 F	128	140	158	157	202	139	178	148
1962 F	129	144	169	159	208	145	182	152
1963 F	130	148	175	164	214	149	185	155
1964 F	132	152	180	168	220	152	191	159
1965 F	134	155	186	173	226	155	198	163
1966 F	137	159	192	177	233	159	206	167
1967 F	139	164	198	183	239	162	212	172
1968 F	142	168	205	187	246	166	219	176
1969 F	145	172	212	192	254	170	226	181
1970 F	148	176	219	198	262	176	233	186
1971 F	151	181	227	205	271	181	242	191
1972 F	155	186	236	211	280	187	251	197
1973 F	158	191	245	217	289	193	259	203
1974 F	162	196	254	223	299	199	268	209
1975 F	165	202	263	231	309	207	277	215

*Weights estimated by Econometric Institute, Inc., are based on 1954-57 data on distribution of fibre boxes to end-use industries collected by the Fibre Box Association.
Source: Columns (1)-(7): Econometric Institute Calculations; Data exclude seasonal variation. All Forecasts by Econometric Institute. E = Estimate F = Forecast.

REGIONAL DISTRIBUTION OF FIBRE BOX DEMAND
(Average Weekly Rate, Millions of Sq. Ft.)

	<u>Eastern Division</u>	<u>Western Division</u>	<u>Pacific Coast Division</u>	<u>Total</u>
	-----Average Weekly Shipments-----			
1950	586	788	134	1,508
1951	571	773	141	1,485
1952	552	740	143	1,435
1953	611	825	168	1,604
1954	607	811	180	1,598
1955	676	937	215	1,828
1956-1st Quarter	702	952	197	1,851
2nd Quarter	703	946	240	1,888
3rd Quarter	673	932	260	1,865
4th Quarter	699	954	228	1,881
Year	694	946	232	1,877
1957-1st Quarter	708	944	192	1,844
2nd Quarter	692	930	234	1,856
3rd Quarter	684	957	256	1,897
4th Quarter	697	931	226	1,853
Year	695	940	228	1,868
1958-1st Quarter	651	876	213	1,740
2nd Quarter	666	888	244	1,797
3rd Quarter	695	967	275	1,936
4th Quarter	747	986	248	1,981
Year	690	929	245	1,872
1959-1st Quarter	754	1,003	239	1,995
2nd Quarter	786	1,069	273	2,128
3rd Quarter E	753	1,062	285	2,100
-----DEMAND FORECASTS-----				
4th Quarter F	784	1,065	271	2,120
Year F	769	1,050	267	2,086
1960-1st Quarter F	788	1,063	267	2,118
2nd Quarter F	806	1,089	283	2,178
3rd Quarter F	784	1,100	299	2,183
4th Quarter F	827	1,121	286	2,234
Year F	801	1,093	284	2,178

Source: Shipment figures from Fibre Box Association. Demand forecasts by The Econometric Institute, Inc. Forecasts take into account varying seasonal patterns of regional divisions.

E = Estimate. F = Forecast.

Note: Detail may not always add to total because of rounding.

EXTRACTS FROM ECONOMETRIC INSTITUTE FORECASTS
OCTOBER 1959

	Prices 1947-9 Base	% Change Yr Ago	Man Hours Bill. Ann Rate	% Change Yr Ago	Earnings Cents Per Hour	% Change Yr Ago	GNP \$ Bill Ann Rate	% Change Yr Ago	Corp Profits \$ Bill Ann Rate	% Change Yr Ago
1958 1	127.3		117.2		208.7		431.0		31.5	
2	127.6		117.3		209.1		434.5		33.8	
3	127.9		117.5		213.0		444.0		38.0	
4	128.6	+1.7	118.8	-0.3	214.2	+2.9	457.1	+3.3	43.5	+13.0
1959 1	129.1		119.7		217.6		470.2		45.5	
2	129.6		122.4		220.0		484.5		48.9	
3										
4	131.4	+2.2	123.4	+3.9	225.0	+5.0	493.4	+7.9	49.8	+14.5
1960 1	131.0		122.9		227.4		495.0		48.1	
2	131.5		123.1		230.1		503.1		48.7	
3	132.6		123.6		233.1		512.8		50.8	
4	133.6	+1.7	123.8	+0.3	236.5	+5.1	520.6	+5.5	52.5	+ 5.4
	Dividends \$ Bill Ann Rate	% Change Yr Ago	Disposable Income \$ Bill Ann Rate	% Change Yr Ago	Savings \$ Bill Ann Rate	% Change Yr Ago	Consumption \$ Bill Ann Rate	% Change Yr Ago	Cons Dur \$ Bill Ann Rate	% Change Yr Ago
1958 1	12.7		310.3		22.9		287.3		36.9	
2	12.6		312.9		22.0		290.9		36.7	
3	12.6		320.4		26.0		294.4		37.1	
4	12.0	-1.6	322.9	+4.2	23.7	+8.7	299.1	+3.8	39.8	+ 0.3
1959 1	12.8		327.4		23.5		303.9		41.3	
2	13.0		335.3		24.1		311.2		44.1	
3										
4	13.7	+14.2	344.5	+6.7	24.2	+2.1	320.3	+7.1	46.7	+17.3
1960 1	13.7		346.0		24.3		321.7		46.6	
2	13.9		350.0		24.3		325.7		47.6	
3	14.3		355.5		24.8		330.7		48.6	
4	14.8	+8.0	361.1	+4.8	25.6	+5.8	335.5	+4.7	49.4	+ 5.8

(Continued)

EXTRACTS FROM ECONOMETRIC INSTITUTE FORECASTS (Continued)
OCTOBER 1959

		Con Dur		% Change		Non Dur		% Change		House Const		% Change		Other Constr		% Change		Prod Dur		% Change	
		Exc Autos	\$ Bill	Yr Ago		\$ Bill	Ann Rate	Yr Ago		\$ Bill	Ann Rate	Yr Ago		\$ Bill	Ann Rate	Yr Ago		\$ Bill	Ann Rate	Yr Ago	
1958	1	23.4				139.5				17.1				18.4				23.8			
	2	23.1				141.5				16.9				17.7				22.6			
	3	23.9				143.1				18.0				17.4				22.2			
	4	24.1		+4.8		143.6		+3.3		19.9		+16.4		17.4		-8.4		23.2		-16.2	
1959	1	24.1				145.3				21.9				17.8				23.9			
	2	25.3				147.7				23.1				17.9				26.0			
	3																				
	4	25.4		+5.4		149.0		+3.8		20.8		+ 4.5		18.9		+8.6		31.4		+35.3	
1960	1	25.3				149.1				20.5				19.0				31.7			
	2	25.6				149.5				21.3				18.8				32.0			
	3	26.0				151.5				22.1				18.9				32.0			
	4	26.4		+3.9		153.3		+2.9		22.7		+ 9.1		19.0		+0.5		32.0		+ 1.9	

		Inventory		% Change		Unf Orders		% Change		Unf Orders		% Change	
		Change \$ Bill	Ann Rate	Yr Ago		Non Durable	Durable	Yr Ago		Non Durable	Durable	Yr Ago	
1958	1	6.9				2.5	44.6			2.5	44.6		
	2	5.8				2.7	43.8			2.7	43.8		
	3	3.4				2.6	43.9			2.6	43.9		
	4	0.8				3.0	44.9	+15.4		3.0	44.9	- 6.7	
1959	1	6.1				3.4	47.2			3.4	47.2		
	2	10.4				3.6	47.7			3.6	47.7		
	3												
	4	2.9				3.4	52.4	+13.3		3.4	52.4	+16.7	
1960	1	1.8				3.2	52.8			3.2	52.8		
	2	3.4				3.1	53.7			3.1	53.7		
	3	5.4				3.0	57.5			3.0	57.5		
	4	5.5				2.9	63.1	-14.7		2.9	63.1	+20.4	

THE ECONOMETRIC INSTITUTE, INC.
230 Park Avenue
New York 17, New York

Date _____, 195____

Gentlemen:

I. Please furnish us with the following *Econometric Letter(s)*, as indicated by an X, consisting of basic charts and Weekly Letters:

A. *Economic Measures* _____, B. *Financial Measures* _____, and C. *Trade Measures* _____.

II. Please provide quarterly consultations at our home office, and a reasonable number of other consultations by mail, by telephone and in person at the Institute's New York office. (Please indicate with an X if desired.)

III. Please also furnish us your basic studies and forecasts for the following as indicated by an X:

A. Industry reports monthly for:

Automobiles & Tires____; Chemicals____; Construction____; Containers____; Electric Power____;
Electrical Equipment____; Machinery & Agricultural Equipment____; Non-Ferrous Metals____;
Paper____; Petroleum & Fuels____; Railroad & Railroad Equipment____; Shoe & Leather____;
Steel____; and Textiles____.

B. All industry reports under III-A above____.

C. _____

IV. Please also furnish us with your quarterly forecasts of income for _____ trading areas.

V. We agree to pay annually as follows:

1. for _____ *Econometric Letters* of Paragraph I, at \$600.00 per item selected \$ _____
2. for the consultation service of Paragraph II, at \$1,800.00 \$ _____
- 3-a. for _____ industry reports under Paragraph III-A, at \$100.00 per item selected \$ _____
- 3-b. for all industry reports under III-B, at \$1,200.00 \$ _____
- 3-c. _____ \$ _____
- 4-a. for one trading area income forecast of Paragraph IV, at \$500.00 \$ _____
- 4-b. for _____ additional area(s) of Paragraph IV, at \$400.00 each \$ _____

TOTAL ANNUAL FEE \$ _____

VI. Billings are made semi-annually in advance, and payments for services not yet rendered are deposits with the Institute.

VII. It is mutually agreed that all data, forecasts, information, etc., exchanged under this contract are confidential.

VIII. This contract shall remain in full force and effect for one year beginning, _____, 195____, and shall continue thereafter for like periods until notice in writing cancelling the same shall have been received by you or by us.

IX. Remarks _____

Very truly yours,

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